

**CALIFORNIA MEDICAL ASSISTANCE COMMISSION**

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**CALIFORNIA MEDICAL ASSISTANCE COMMISSION**

State Capitol, Room 113

Sacramento, CA

Minutes of Meeting

January 27, 2005

**COMMISSIONERS PRESENT**

Nancy E. McFadden, Chair  
Thomas Calderon  
Diane M. Griffiths  
Teresa P. Hughes  
Vicki Marti  
Lynn Schenk

**CMAC STAFF PRESENT**

J. Keith Berger, Executive Director  
Enid Barnes  
Theresa Bueno  
Paul Cerles  
Denise DeTrano  
Holland Golec  
Shivani Nath  
Steve Soto  
Michael Tagupa  
Mervin Tamai  
Karen Thalhammer

**COMMISSIONER ABSENT**

Michael R. Yamaki

**EX-OFFICIO MEMBERS PRESENT**

Bob Sands, Department of Finance  
Sunni Burns, Department of Health Services

**I. Call to Order**

The January 27, 2005 open session meeting of the California Medical Assistance Commission (CMAC) was called to order by Chair Nancy E. McFadden. A quorum was present.

**II. Approval of Minutes**

The January 13, 2005 meeting minutes were approved as prepared by CMAC staff.

### **III. Executive Director's Report**

Mr. Berger reported that there were no new requests from hospitals or health plans to appear before the Commission in closed session.

Mr. Berger reminded the Commissioners that they had approved the appearance of Children's Hospital of Central California and Children's Hospital of Los Angeles in today's closed session. He reported that representatives from both hospitals were present and prepared to discuss contract and negotiation issues with the Commissioners.

Mr. Berger informed the Commission that there were 11 amendments and contracts for the Commission to act on during today's closed session, along with updates regarding negotiations and contract issues.

Mr. Berger asked Bob Sands from the Department of Finance to give the Commission a brief update on the Medi-Cal portion of the Budget.

Mr. Sands indicated that the Governor is proposing a \$1 billion General Fund increase to the Medi-Cal program, which is an 8.2 percent increase, for a total Medi-Cal budget of \$34.1 billion. The funding increase is related primarily to caseload increases, cost of living increases and some medicare premium increases. Of the \$1 billion increase, \$250 million is related to the quality improvement fee that was enacted last year.

The caseload is projected to increase by 170,000 cases, a 2.6 percent increase, to a total of 6.8 million Medi-Cal eligibles. In 2003-04 California served about 18.2 percent of the State's population, and the cost per beneficiary was \$4,605, less than the national average of \$5,869 per eligible.

Mr. Sands noted that the State is proposing a change to reflect the new Medicare drug benefit. This proposal would mean that dual eligibles that are covered by both Medicare and Medi-Cal may not receive drugs that are currently covered only by Medi-Cal.

In response to Commissioner Schenk's question, Mr. Sands stated that Medicare will be producing a formulary. If the drug that is currently covered by Medi-Cal is on the Medicare formulary, then the dual eligible beneficiaries will be able to receive that drug under Medicare.

Mr. Sands remarked that the federal government is reducing funding from the Medi-Cal program for dual beneficiaries. However, the formulary that will be used will result in a federal savings of about \$200 million.

Mr. Sands further reported that the Governor is proposing to take advantage of a provision in the federal law that allows the State to claim federal Title XXI funding for

prenatal coverage that the State is not currently receiving. This proposal could result in about \$242 million in additional federal funds.

Mr. Sands indicated that the state is proposing Medi-Cal third party liability reform. The main purpose of this proposal is to obtain reimbursement from insurance companies or beneficiary estates for the Medi-Cal costs that have been incurred. The State feels that it can receive about \$20 million from third-party insurance companies.

An additional proposal that is not Medi-Cal specific would be the California RX (Cal Rx) Prescription Drugs for the Uninsured. This is a prescription drug discount card for the uninsured. The Governor and his staff are negotiating drug discounts with pharmaceutical companies. The discounts would average about 40 percent, and the State's cost would be about \$4 million in General Fund for that program.

Chair McFadden requested that Mr. Sands report on the efforts that the Administration is making and where it is focusing its efforts regarding increasing California's share of federal Medicaid funding.

Mr. Sands indicated that statewide, the budget is very realistic. Within the Medi-Cal program, Kimberly Belshé, Secretary for Health and Human Services Agency, has been actively meeting with federal officials and lobbying for California in Washington D.C. The State has a list of issues that are currently being pursued for additional federal funds, which is the major effort by the administration.

The Executive Director took a moment to thank Mr. Sands for his briefing on the Medi-Cal budget proposal. Mr. Berger noted that many of the items are outside of the scope of CMAC's day-to-day responsibility, but that it is very helpful to understand the program wide context in which CMAC operates.

Mr. Berger informed the Commission that there had been several public briefings on Medi-Cal Redesign and asked Ms. Mollow to give the Commission an update on the briefings.

René Mollow, Assistant Director for Health Policy for the Department of Health Services (DHS), reported that DHS held two meetings on the Medi-Cal Redesign proposal. One was held January 13 in Sacramento and the other was in Los Angeles (LA) on January 21. She indicated that in total there were about 500 attendees, including those that called in on the phone.

Ms. Mollow indicated that overall the stakeholders were very accepting of the proposal. The stakeholders recognized some of the difficulties that the State encounters. The stakeholders appreciated the efforts of the administration and the opportunity to again go through the proposal.

Ms. Mollow noted that DHS had many questions regarding the Managed Care expansion and enrollment of seniors and persons with disabilities, relating specifically to

premium payments, how the premiums will actually work, and the impact of disenrollment for non-payment of premiums. There were also some questions on the funding and how the State determined the savings that were identified in the proposal.

Ms. Mollow remarked that DHS is committed to providing some general information back to the stakeholders which will be published on DHS' website. For example, identifying the population by demographics in terms of seniors and persons with disabilities who will be moving into Managed Care.

Ms. Mollow added that there were questions on the dental program as to what would be included in the \$1000 cap, as well as what would be excluded. Overall, people were thankful. She further stated that there remains some concerns, and DHS is committed to working with the stakeholders.

Ms. Burns indicated that DHS has received a draft of the Medi-Cal Hospital Financing Redesign counterproposal from Centers for Medicare & Medicaid Services (CMS); in the process of going over the documents, also will be meeting with the consultants on Monday to discuss the draft. The current Selective Provider Contracting Program (SPCP) waiver expires on June 30, 2005 and CMS needs 30 days to review the new proposal for the 1115 waiver. DHS has a very compressed time frame to prepare a final proposal for CMS.

Ms. Burns responded to Commissioner Calderon's question regarding the impact on the hospitals, stating that DHS is committed to holding the hospitals harmless. In the original proposal, California was seeking an additional \$700 million in federal funds, and that would be money that would go to the hospitals. CMS has been very clear that the State's current Intergovernmental Transfers (IGT) system will not be approved after June 30.

In response to Commissioner Griffiths' inquiry regarding the commitment to the hospitals and possible reduction in funds, Ms. Burns stated that the decision as to how to distribute the supplemental funds would be addressed under the waiver. She further stated that DHS would involve the hospitals in any decisions that are made. DHS is working with CMS to have something to replace the IGTs, something that is workable for everyone, and approvable by CMS.

Paul Cerles, CMAC's Supervising Negotiator, indicated that he has been talking to the staff of the Office of Statewide Health Planning and Development (OSHPD) about their coming before the Commission to provide the Commissioners with information and updates on the Seismic Retrofit Program (SB1953).

Mr. Cerles also noted that he has also been talking to Cal-Mortgage Health Facilities Loan Insurance Program about appearing before the Commission within the next couple of months with information on health facilities loan guarantees. This program has been in existence for more than 30 years and has helped hospitals in California with their capital projects.

#### **IV. Medi-Cal Managed Care Activities**

In regards to Managed Care activities Mr. Cerles further noted that there are several amendments for action during today's closed session. He also stated that CMAC should be receiving new rates from the DHS Medi-Cal Managed Care Division for the County Organized Health Systems, which will include a three percent legislatively approved rate increase and other policy adjustments.

#### **V. New Business/Public Comments/Adjournment**

There being no further new business and no additional comments from the public, Chair Nancy McFadden recessed the open session. Chair McFadden opened the closed session, and after closed session items were addressed, adjourned the closed session, at which time the Commission reconvened in open session. Chair McFadden announced that the Commission had discussed contract issues with several hospitals and had taken action on hospital and managed care contracts and amendments in closed session. The open session was then adjourned.